



## ACC243/743 – Accounting for Mergers, Acquisitions and Complex Financial Structures, Fall 2013

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The purpose of this course is to provide you with a comprehensive overview of accounting and modeling for mergers and acquisitions. This is an advanced accounting course aimed at teaching you accounting for business combinations and divestitures. This is a very technical course and expects you to have a solid accounting background and will build on that in addressing the accounting methods used to record and report on different types of M&A activity. Learning to prepare work sheets to account for these transactions will provide you with the knowledge to model the transactions (including pro forma models) for forecasting, analysis and reporting. We will also review the different structures created from consolidation activity – and try to understand the operational and strategic implications of the choice. While this is not a course on tax, we will briefly review some of the legal and tax issues that arise in M&A activity.

This course is recommended for those students who intend to work in the financial services area. It includes a heavy dose of accounting – and would be helpful to those who are looking for a career in banking, corporate advisory services and treasury or corporate/financial strategy.

### **Prerequisites**

Undergraduate: Accounting 201/202 or equivalent.

Graduate: Accounting 611/612/613 or waiver.

### **Course Materials**

The recommended text book for this course is Advanced Accounting, 11<sup>th</sup> Edition, by Beams, Anthony, Bettinghaus and Smith, Pearson Publishing. I will teach from my notes. The course will be closely tied to the book which will be used as a resource throughout the course. From time to time we will use case studies of actual transactions that we will discuss in class. We will review the disclosures made by the companies involved in the transaction to help you

understand how these transactions are reported in the real world. You will get handouts of my course slides every week. A tentative assignment schedule is attached; but I expect that there will be several revisions. I intend to make the course as interactive as possible, and will look for your feedback which I can use to tailor the course materials to the needs of the class. I will poll you from time to time and take you into full confidence on any changes I will make.

I strongly believe that everything that is covered in class may potentially be on the exam. For this reason, I recommend that you should make it a point to attend all classes or make arrangements to collect notes if you have to miss any of the classes. Each day I will assume that you have skimmed the assigned material for the day and worked on the assigned problems.

Grades will be assessed based on total points earned on the following:

4 Quizzes (1.5 hours each)	80
Periodic Homework Assignments	15
Class Participation	5
Total	100

All the quizzes will be held in class. There will be no final exam in the course.

<b>Date</b>	<b>Topic</b>
28-Aug	Syllabus - Review of previous materials on investments, Introduction to M&A
4-Sep	Equity Accounting - how it is done, why you need to know - Walgreen Boots case; One line consolidation, fair value analysis, post acquisition adjustments and reporting
9-Sep	Equity Accounting special topics - sale of interest, direct purchase from investee, preferred stock, impairment, disclosures
11-Sep	Introduction to consolidation - typical investment scenarios; basic balance sheet consolidation on date of acquisition, assigning excess of identifiable net assets and goodwill
16-Sep	Balance sheet consolidation - after acquisition. Push down accounting, consolidation under the equity method
18-Sep	Introduction to consolidating the income statement and consolidated statement of cash flows
23-Sep	Quiz
25-Sep	Intercompany transactions - Inventory (supplier client relationships)
30-Sep	Intercompany transactions - Plant assets (asset sales between companies)
2-Oct	Intercompany transactions - Debt
7-Oct	Intercompany transactions - continued
9-Oct	Intercompany transactions - review
14-Oct	Quiz
16-Oct	Modeling an acquisition - examples; building an acquisition model
21-Oct	Modeling an acquisition - review
23-Oct	Piece meal acquisition
28-Oct	Moving from consolidation to equity accounting; reducing investments
30-Oct	Indirect and mutual holdings - affiliation structures
4-Nov	Subsidiary preferred stock, Consolidated earnings, Consolidated taxation
6-Nov	Consolidate Earnings, Consolidated taxation
11-Nov	Quiz
13-Nov	Liquidations and corporate reorganizations
18-Nov	Acquisitions under Tax - Statutory mergers and combinations
20-Nov	Taxable and non-taxable transactions
25-Nov	Tax benefits to surviving entities; template for reviewing tax benefits in a transaction
2-Dec	Deferred Tax accounting in acquisitions
4-Dec	TBD
9-Dec	QUIZ